

Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 EA-07 NEA-10 IO-13 ISO-00 AID-05

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TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01

OMB-01 /093 W

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TO SECSTATE WASHDC PRIORITY 2869

USMISSION OECD PARIS PRIORITY

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS UNN

AMEMBASSY TOKYO

USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 1 OF 2 KHARTOUM 3238

DEPT ALSO FOR AID

USMISSION OECD PARIS PASS MACHMER

E.O. 11652: GDS

TAGS: EAID, EFIN, SU

SUBJECT: RECENT DEVELOPMENTS ON ECONOMIC ASSISTANCE

TO SUDAN

SUMMARY: AS BACKGROUND FOR SUDAN CONSULTATIVE GROUP MEETING

IN PARIS NOV 4-5, EMBASSY PROVIDING SUMMARY REVIEW RECENT

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DEVELOPMENTS IN ECONOMIC ASSISTANCE TO SUDAN. GOS COUNTING

ON SOME \$2 BILLION IN EXTERNAL ASSISTANCE IN CONNECTION WITH SIX-YEAR PLAN. MOST IMPORTANT ELEMENT WILL BE APPROXIMATELY \$1.2 BILLION WHICH GOS HOPES ARAB AUTHORITY FOR AGRICULTURAL INVESTMENT AND DEVELOPMENT (AAAID) WILL PROVIDE. ALSO OF SPECIAL SIGNIFICANCE WILL BE SAUDI BALANCE OF PAYMENTS ASSISTANCE WHICH PROBABLY WILL NOT BE PUBLICIZED. END SUMMARY.

1. CONSULTATIVE GROUP MEETING ON SUDAN ORGANIZED BY IBRD SCHEDULED TAKE PLACE NOV 4-5 IN PARIS. AS BACKGROUND FOR USDEL AND OF POSSIBLE INTEREST TO ADDRESSEES IS FOLLOWING SUMMARY OF RECENT TRENDS AND DEVELOPMENTS IN ECONOMIC ASSISTANCE TO SUDAN. MOST SIGNIFICANT RECENT DEVELOPMENT IS RELATIVELY LARGE INFUSION OF ARAB ECONOMIC ASSISTANCE AND INVESTMENT INTO SUDAN WHICH HAS OCCURRED SINCE 1974. KUWAIT CONTINUES TO BE SIGNIFICANT SOURCE OF ECONOMIC ASSISTANCE AND INVESTMENT AS WELL AS ADVANCES IN LIEU NORMAL COTTON SALES. SAUDI ARABIA, WITH MINIMUM PUBLICITY, HAS BECOME KEY SOURCE FINANCIAL SUPPORT AND, AS RECENT VISIT BY KING KHALID SUGGESTS, SAUDI-SUDAN RELATIONSHIP EXTENDS BEYOND THAT OF AID DONOR AND RECIPIENT. WE ESTIMATE SAUDI

ARABIA HAS PROVIDED OVER FIVE HUNDRED MILLION DOLLARS IN BUDGET SUPPORT OR LOAN GUARANTEES, AND SIGNIFICANT AMOUNTS OF ADDITIONAL SAG FINANCING LIKELY TO SUPPORT ECONOMIC DEVELOPMENT AND MILITARY PROGRAMS. HOWEVER, THIS ASSISTANCE IS NOT PUBLICLY ACKNOWLEDGED AND IS NOT INCLUDED IN STATISTICS CONTAINED PARA 7 BELOW.

2. IN ADDITION TO SAUDI, KUWAITI AND OTHER ARAB BILATERAL ASSISTANCE, GOS COUNT HEAVILY ON EMBRYONIC ARAB AUTHORITY FOR AGRICULTURAL INVESTMENT AND DEVELOPMENT. INDEED AAAID IS EXPECTED TO PROVIDE OVER HALF OF SOME \$2 BILLION IN NEW ECONOMIC ASSISTANCE IN CONNECTION WITH SIX-YEAR PLAN. ACCORDING TO RECENT ANALYSES IN LOCAL PRESS, AAAID IS EXPECTED TO CONTRIBUTE \$1.2 BILLION OVER THAT PERIOD. AT AAAID ORGANIZATIONAL MEETING JUST CONCLUDED HERE (KHARTOUM CONFIDENTIAL

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3207, NOTAL), MEMBER STATES AGREED ON INITIAL CAPITAL OF 150 MILLION KUWAITI DINARS (APPROX \$500 MILLION). MAGNITUDE OF AAAID PROGRAM MAKES IT CLEARLY KEY TO GOS DEVELOPMENT PLANS OVER NEXT FEW YEARS.

3. EUROPEANS HAVE ALSO EMERGED AS IMPORTANT SOURCE OF ECONOMIC ASSISTANCE TO SUDAN. EEC HAS ALLOCATED ABOUT \$100 MILLION FOR SUDAN OVER NEXT THREE YEARS UNDER LOME

AGREEMENT. FRG HAS HAD MAJOR BILATERAL AID PROGRAM WITH SUDAN AND WILL PROVIDE ADDITIONAL DM 150 MILLION ON HIGHLY CONCESSIONARY TERMRA OVER NEXT TWO YEARS. FRG FUNDS WILL BE USED TO FINANCE HIGHWAY AND PORTPROJECTS AND WILL ALSO BE USED FOR COMMODITY PURCHASES. OTHER EUROPEAN COUNTRIES SUCH AS UK, NETHERLANDS AND SCANDINAVIAN COUNTRIES ALSO HAVE RELATIVELY LARGE PROGRAMS HERE.

4. SUDAN APPEARS TO BE SUCCESSFUL IN ATTRACTING BILATERAL ASSISTANCE FROM NON-EUROPEAN DEVELOPED COUNTRIES AS WELL. JAPAN WILL PROVIDE ABOUT \$10 MILLION TO FINANCE A ROIND PROJECT AND IS ALSO PROVIDING ON GRANT BASIS JAPANESE MACHINERY. CIDA OFFICIAL TOLD DCM THAT CANADA IS PROVIDING C\$10 MILLION LINE OF CREDIT WITH NO STRINGS ATTACHED, AND PREPARED PROVIDE SIGNIFICANTLY LARGER AMOUNTS OF ASSISTANCE OVER NEXT FEW YEARS.

5. TRADITIONALLY, COMMUNIST COUNTRIES HAVE PROVIDED SUBSTANTIAL ECONOMIC ASSISTANCE TO SUDAN, AND SEVERAL PROGRAMS ARE UNDER WAY NOW. PRC CAPITAL PROJECTS HAVE BEEN PARTICULARLY DRAMATIC AND SOME FURTHER PEKING AID CAN BE EXPECTED. NORTH KOREANS HAVE ALSO BEEN HELPFUL BUT PROMISES HAVE OUT-RUN PERFORMANCE AND NEW HELP LESS LIKELY DUE EMERGING ROK ROLE HERE. GIVEN RECENT STRAINS IN SUDANESE RELATIONS WITH EUROPEAN COMMUNIST COUNTRIES, INCLUDING USSU, AND GIVEN FINANCIAL OR DOMESTIC PROBLEMS IN ASIAN COMMUNIST COUNTRIES, MAJOR AMOUNTS OF NEW COMMUNIST-PROVIDED ECONOMIC ASSISTANCE ARE NOT LIKELY IN NEAR FUTURE.

6. SIMILARLY, UNDP HAS IN SUDAN ONE OF ITS LARGEST PROGRAMS, BUT PRESENT FINANCIAL PROBLEMS SUGGEST THAT NEW UNDP PROGRAMS, PERFORCE, WILL BE LIMITED. ECONOMIC ASSISTANCE FROM WORLD

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BANK GROUP, HOWEVER, CAN BE EXPECTED TO REMAIN SUBSTANTIAL, AND ASSISTANCE FROM AGENCIES SUCH AS WFP AND OTHER UN PROGRAMS, TAKEN TOGETHER, ARE EXPECTED TO REMAIN SIGNIFICANT.

7. RECENT ARTICLE IN SUNA WTEKLY WHICH IS PROBABLY GENERALLY ACCURATE SUMMARIZES LOANS ACTUALLY SIGNED AND AGREEMENTS EXPECTED TO BE COMPLETED SOON IN CONNECTION WITH SIX-YEAR (1977/78-1982/83) PLAN. ACCORDING TO THIS ARTICLE, NEARLY \$2 BILLION IN EXTERNAL ASSISTANCE IS EXPECTED. SHARE OF EACH SOURCE TOWARD FINANCING PLAN IS FOLLOWS (IN \$MILLIONS):

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ACTION AF-08

INFO OCT-01 EUR-12 EA-07 NEA-10 IO-13 ISO-00 AID-05

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06

TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01

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I. LOANS ACTUALLY SIGNED

A. ARAB COUNTRIES	\$180
B. SOCIALIST COUNTRIES	\$120
C. WORLD BANK GROUP	\$75
D. WESTERN COUNTRIES	\$22
E. AFRICAN DEVELOPMENT BANK	\$4
F. OTHERS	\$37
TOTAL	\$438

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II. AGREEMENTS EXPECTED TO BE COMPLETED SOON

A. AAAID	\$1,200
B. EEC	100
C. CANADA	75
D. OTHERS	55
TOTAL	\$1,430

8. COMMENT: VARIOUS STATISTICS NOTED ABOVE ARE HARDLY OF TOP RELIABILITY NOR DO THEY INCLUDE ASSISTANCE IN FORM OF EXPORT CREDITS SUCH AS THOSE PROVIDED BY FRANCE OR GERMANY.

HOWEVER, THREE OR FOUR CONCLUSIONS CAN BE DRAWN:

- A. GOS PLANNING ASSUMES AND DEPENDS ON LARGE AMOUNTS OF ECONOMIC ASSISTANCE DURING SIX-YEAR PLAN;
- B. THIS ASSISTANCE WILL COME FROM WIDE ARRAY OF BILATERAL AND MULTILATERAL SOURCES;
- C. SEVERAL DONORS, PARTICULARLY GERMANY AND EEC, HAVE CONCLUDED THAT SUDAN, BECAUSE OF ITS ECONOMIC POTENTIAL AND FOR OTHER REASONS, IS WORTHY OF LARGE AMOUNTS OF ECONOMIC ASSISTANCE;
- D. ON BALANCE, HOWEVER, IT IS ARAB AID, PARTICULARLY SAUDI BILATERAL ASSISTANCE AND INTER-ARAB ASSISTANCE VIA AAAID, WHICH IS EXPECTED TO PROVIDE LION'S SHARE OF EXTERNAL ASSISTANCE AND IS KEY TO SUCCESS OF SUDANESE DEVELOPMENT EFFORTS.

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